

**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
Whether there has been a violation of the  
Securities Act of Washington by:

John S. Destito  
Bio-Sonics International, Inc.  
Circle One, Inc.  
Crystal Waters, Inc.

Respondents

SDO - 28 - 99

SUMMARY ORDER TO CEASE AND DESIST  
AND REVOKING EXEMPTIONS

Case No. 98-08-247

THE STATE OF WASHINGTON TO: John S. Destito  
Bio-Sonics International, Inc.  
Circle One, Inc.  
Crystal Waters, Inc.

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that JOHN S. DESTITO, BIO-SONICS INTERNATIONAL, INC., CIRCLE ONE, INC., and CRYSTAL WATERS, INC. ("Respondents") have each violated the Securities Act of Washington and that their violations justify the entry of an order to cease and desist under RCW 21.20.390. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to investors and harmful to the public and that a Summary Order to Cease and Desist should be entered immediately.

**TENTATIVE FINDINGS OF FACT**

**I.**

**RESPONDENTS**

1. Bio-Sonics International, Inc. ("Bio-Sonics") is a Wyoming corporation whose last known address is P.O. Box 4414, Tumwater, WA 98501.

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2. Circle One, Inc. ("Circle One") is a Wyoming corporation whose last known address is 4310 6th Ave. SE, Suite B, Lacey, WA 98503.

3. Crystal Waters, Inc. ("Crystal Waters") is a Wyoming corporation whose last known address is 4310 6th Ave. SE, Suite B, Lacey, WA 98503.

4. John S. Destito ("Destito") was the president of Bio-Sonics, Circle One, and Crystal Waters at all times relevant to this order.

## II.

PRIOR ORDER TO CEASE AND DESIST

1. John S. Destito is the subject of a prior order by the Securities Division to cease and desist from violations of the Securities Act of Washington. As president of a company he created, Destito offered and sold shares of stock to investors in Washington state and elsewhere. He told investors that his business was involved in the production of a cancer-fighting drug and that it had obtained a valuable contract to supply yew bark to the federal government.

2. Destito failed to register his stock offering and withheld material information from investors. He did not disclose a prior bankruptcy; he did not tell investors that his contract with the government had been canceled due to non-performance; and he did not notify investors that the company was experiencing financial difficulties and had issued a series of bad checks. Destito later claimed that his business failed as a result of a hostile takeover attempt by the Bristol Myers corporation.

3. The Securities Division responded to these violations by entering order #103-90. Under the terms of this order, Destito was directed to immediately cease and desist from offering or selling securities in violation of the Securities Act of Washington. In addition, the exemptions from registration provided by RCW 21.20.310 and RCW 21.20.320 were permanently revoked as to all future offers or sales of any security by Destito. Destito signed SDO 103-90 and it became effective on April 5, 1991.

4. On July 7, 1993, Destito filed for bankruptcy protection under Chapter 7 of the United States Bankruptcy Code. This voluntary filing was Destito's second in seven years and resulted in the discharge of his debts effective October 6, 1993.

### III.

## CIRCLE ONE STOCK OFFERING

1. After his discharge in bankruptcy, Destito began pursuing another business idea. He invented a process for growing plants using sound waves and special fertilizers. Destito claimed that his process caused plants to grow faster and healthier than with conventional growing methods. He called it "Biosonics" and applied for a patent on February 25, 1995. Bio-Sonics International, Circle One, and Crystal Waters were later formed to promote and sell this invention.

2. To demonstrate the Biosonics process, Destito made plans to build a large greenhouse facility. He told others that multinational corporations and foreign governments had expressed an interest in using Biosonics to produce food and that they would invest large sums of money if the project succeeded.

3. Destito began selling stock in early 1996 to finance the construction of his greenhouse. He approached individual investors and urged them to tell their friends, families, and business associates about the stock offering. Destito later gave presentations to groups of potential investors.

4. Destito personally administered the sale of stock. He required investors to sign stock purchase agreements and collected their money. Destito signed these agreements as president of Bio-Sonics and he directed investors to make their checks payable to Bio-Sonics. However, investors were not purchasing shares of Bio-Sonics stock. According to the agreement, they were actually purchasing shares of its subsidiary, Circle One.

5. The price of Circle One stock initially ranged from two cents to fifty cents per share. It was increased to one dollar per share in later transactions. However, investors were not informed that the price was chosen arbitrarily or that no market existed for the stock.

6. After the sale was complete, investors received pre-printed stock certificates indicating the number of shares purchased. Destito signed these certificates as president of Circle One, Inc.

7. About 30 Washington residents purchased shares of Circle One, Inc. and the offering generated proceeds of approximately \$1,600,000. Destito received at least \$36,000 as compensation for his services as advisor, promoter, and coordinator of the Circle One stock offering.

8. Destito failed to disclose important information about himself to investors before they purchased Circle One stock. He did not tell them that he was subject to SDO 103-90 or that his sale of stock was a direct violation of that order. He did not disclose his prior business failures or that he had twice filed for bankruptcy protection. Destito also withheld information about how much of Bio-Sonics and Circle One he owned and how he was being compensated for his services.

9. Destito also failed to provide investors with basic information about the offering. He did not identify the total amount to be raised or whether any of the money would be placed in escrow for the protection of investors. Destito did not set forth with particularity how the proceeds of the offering would be used. He did not provide investors with financial statements or indicate what (if any) assets Circle One owned. In addition to the foregoing, Destito did not tell investors that all rights to the Biosonics patent had been previously assigned to a third party.

10. Destito failed to provide investors with information about the corporations involved in the offering (Bio-Sonics and Circle One). He did not identify what specific products these companies produced or intended to produce; their respective operating histories, including whether either company was profitable; the identities of principal shareholders, including how much they paid for their shares; or the nature and existence of any pending litigation that might affect Circle One investors.

## IV.

## CRYSTAL WATERS CONVERSION OFFER

1. On May 20, 1996, Destito sent a letter to Circle One shareholders concerning their investment. He told them that he had met with the managing director of The Mitsubishi Group and that final commitments had been made for Mitsubishi to provide 10 million dollars in financing to Bio-Sonics. In addition, he claimed that agents of Bio-Sonics had met with the royal family of Saudi Arabia and that the Saudis were also prepared to provide 10 million dollars in financing to Bio-Sonics. According to Destito, the Saudis and the Japanese had requested that Bio-Sonics combine all of its divisions into one company in order to facilitate the transfer of funds. As a result, Bio-Sonics planned to make a buyout/transfer offer to Circle One shareholders. Destito recommended that shareholders increase their respective investments in order to take advantage of potentially favorable stock transfer ratios and values.

2. Following his letter, Destito provided Circle One shareholders with a document entitled "Stock Purchase-Transfer Offer" and required them to choose one of three investment alternatives. First, they could immediately sell all of their Circle One stock at \$1.00 per share and receive a \$5,000 cash bonus. Second, they could accept the \$5,000 bonus without selling their shares of Circle One and later convert their stock into shares of Crystal Waters, Inc. Finally, investors could forego the cash bonus and instead opt for an additional 10,000 shares of Circle One stock with the understanding that it could be converted into shares of Crystal Waters, Inc. Destito indicated that future work on the project would be carried out by Crystal Waters, Inc. and encouraged investors to convert their shares of Circle One into shares of Crystal Waters. He told them that Crystal Waters stock was worth \$2 per share and that Circle One stock was worth only \$1 per share.

3. As with his offer and sale of Circle One stock, Destito failed to provide shareholders with information upon which to base their investment decision. He did not provide investors with financial statements or any other means of evaluating Crystal Waters; he did not identify what products, if any, Crystal Waters produced or whether it was generating a profit; he did not disclose the identities of the principal shareholders how much they paid for their shares; he did not tell investors what impact converting their shares would have on their respective ownership interests and he did not disclose that the share prices he quoted were chosen arbitrarily.

V.

CIRCLE ONE STOCK BUYBACK OFFER

1. On September 15, 1998, investors received a letter announcing the formal buy-back of all Circle One stock. In the letter, Circle One indicated that it would repurchase all of its outstanding shares at \$2 each. The company announced that it would place funds sufficient to accomplish the buy-back in an escrow account under the supervision of an attorney. Investors were instructed to endorse their stock certificates and mail them to Nevada.

2. On October 1, 1998, John Destito appeared before the Securities Division and testified under oath that all funds raised in connection with the Circle One stock offering had been expended and that Circle One owned no assets as of that date. According to Destito, the buy-back offer referred to in the letter was to be funded by an unidentified group of offshore investors.

3. Investors proceeded to mail their share certificates to Nevada. However, they did not receive payment as promised. At least two subsequent dates were set for the repurchase of investors' stock. These dates have passed without payment from Destito or any of his companies.

VI.

REGISTRATION STATUS

1. John S. Destito is not currently registered as a securities salesperson or broker-dealer in the state of Washington and has not previously been so registered.

2. Bio-Sonics International, Inc. is not currently registered to sell its securities in the state of Washington and has not previously been so registered.

3. Circle One, Inc. is not currently registered to sell its securities in the state of Washington and has not previously been so registered.

14. Crystal Waters, Inc. is not currently registered to sell its securities in the state of Washington and has not previously been so registered.

Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

#### CONCLUSIONS OF LAW

1. The offer and/or sale of stock described above constitutes the offer and/or sale of a security as defined in RCW 21.20.005(10) and (12).

2. The offer and/or sale of said securities is in violation of RCW 21.20.140 because no registration for such offer and/or sale is on file with the Administrator of Securities, state of Washington.

3. John S. Destito has violated RCW 21.20.040 by offering and/or selling said securities while not registered as a securities salesperson or broker-dealer in the state of Washington.

4. The offer and/or sale of said securities was made in violation of RCW 21.20.010 because Respondents failed to disclose material information necessary to make their representations not misleading.

5. John S. Destito has violated SDO 103-90 by offering and selling unregistered securities to residents of Washington state.

6. The Securities Administrator finds that an emergency exists, that John S. Destito has violated SDO 103-90, and that his repeated violation of RCW 21.20.010, RCW 21.20.040, and RCW 21.20.140 demonstrates a pattern of disregard for the Securities Act of Washington. The Securities Administrator further finds that summary orders to cease and desist from such violations are in the public interest and necessary for the protection of investors.

1 **SUMMARY ORDER**

2 Based on the foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED that  
3 Respondents, their agents and employees shall each cease and desist from offering and/or selling securities in any  
4 manner in violation of RCW 21.20.140, the section of the Securities Act of Washington requiring registration.

5 It is further SUMMARILY ORDERED that Respondents, their agents, and employees shall each cease  
6 and desist from violation of RCW 21.20.010, the anti-fraud section of the Securities Act.

7 It is further SUMMARILY ORDERED that based upon violation of RCW 21.20.010 all exemptions  
8 available under RCW 21.20.320 are here by withdrawn as to Bio-Sonics International, Inc., Circle One, Inc., and  
9 Crystal Waters, Inc.  
10

11 **AUTHORITY AND PROCEDURE**

12 This Order is entered pursuant to the provisions of RCW 21.20.390 and RCW 21.20.325 and is subject to  
13 the provisions of Chapter 34.05 RCW. Respondents may each make a written request for a hearing as set forth in  
14 the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this  
15 order.

16 **CONTINUING INVESTIGATION**

17 The Securities Division is continuing to investigate the matters described herein to determine whether  
18 there have been any additional violations of the Securities Act of Washington and whether additional enforcement  
19 action should be taken.  
20

21 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**  
22

23 DATED this \_\_\_\_\_ day of \_\_\_\_\_, 1999  
24

25 SUMMARY ORDER TO CEASE AND  
26 DESIST AND REVOKING EXEMPTIONS  
27



DEBORAH R. BORTNER  
Securities Administrator

Presented by:

Steven Raney  
Securities Examiner

Approved by:

Michael E. Stevenson  
Chief of Compliance